

Office of Inspector General Corporation for National and Community Service

AGREED-UPON PROCEDURES FOR CORPORATION GRANTS AWARDED TO THE UNIVERSITY OF SAN FRANCISCO - SCHOOL OF EDUCATION

OIG REPORT 10-08



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

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This report was issued to Corporation management on March 24, 2010. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than September 24, 2010 and complete its corrective actions by March 24, 2011. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



OFFICE OF INSPECTOR GENERAL

March 24, 2010

TO: Lois Nembhard
Acting Director, AmeriCorps*State and National

Margaret Rosenberry
Director, Office of Grants Management

FROM: Stuart Axenfeld /s/
Assistant Inspector General for Audit

SUBJECT: Report 10-08, Agreed-Upon Procedures for Corporation Grants Awarded to the University of San Francisco - School of Education (USF)

We contracted with the independent certified public accounting firm, Mayer Hoffman McCann P.C. (MHM), to perform agreed-upon procedures in its review of a Corporation for National and Community Service grant awarded to USF. The contract required the firm to conduct the engagement in accordance with generally accepted government auditing standards.

Although we reviewed the report and the supporting audit documentation, MHM is responsible for the attached report, dated March 24, 2010, and the conclusions expressed therein. Nothing came to our attention during our reviews that would cause us to believe that MHM was not in compliance with generally accepted government auditing standards.

Under the Corporation's audit resolution policy, a final management decision, by the Corporation, on the findings in this report is due by September 24, 2010. Notice of final action is due by March 24, 2011.

If you have questions pertaining to this report, please call me at (202) 606-9360 or Thomas Chin at (202) 606-9362.

Attachment

cc: Dominic Daher, Director of Internal Audit and Tax Compliance, Office of the President, University of San Francisco
Kristin McSwain, Chief of Program Operations
William Anderson, Acting Chief Financial Officer
Rocco Gaudio, Deputy Chief Financial Officer, for GFFM
Claire Moreno, Audit Liaison, Office of Grants Management
Bridgette Roy, Administrative Assistant, Office of the CFO
Ronald E. Rolwes, CPA, CFE, Shareholder, Mayer Hoffman McCann P.C., Conrad Government Services Division
Claudio M. Chiuchiarelli, Chairman of the Board, Board of Trustees, University of San Francisco
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**AGREED-UPON PROCEDURES FOR CORPORATION GRANTS AWARDED TO
THE UNIVERSITY OF SAN FRANCISCO - SCHOOL OF EDUCATION**

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EXECUTIVE SUMMARY

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Mayer Hoffman McCann P.C. (MHM) to perform agreed-upon procedures on grant costs and compliance for Corporation-funded Federal assistance provided to the University of San Francisco - School of Education (USF).

Results

As a result of applying our procedures, we questioned claimed Federal-share costs of \$192,972. We also questioned education awards and accrued interest payments related to members' service under the terms of the grant but funded outside of the grant of \$33,759 and \$3,593, respectively. A questioned cost is an alleged violation of provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; or a finding that, at the time of testing, such cost is not supported by adequate documentation. The detailed cost results of our agreed-upon procedures are presented in the Consolidated Schedule of Claimed and Questioned Costs.

USF claimed total Federal costs of \$1,022,042 from September 1, 2007, through September 30, 2009, under Grant Nos. 08NDHCA001 and 04NDHCA001. As a result of testing a judgmentally selected sample of transactions, we questioned costs claimed, as shown in the following table:

Description of Questioned Costs	Federal Share	Education Awards	Accrued Interest
Grant No. 08NDHCA001			
Missing receipts for Mini-grant awards claimed by members	\$ 101,521	\$ -	\$ -
Missing receipt for costs claimed by one of its collaborative partners	3,150	-	-
Grant No. 04NDHCA001			
Missing receipts for Mini-grant awards claimed by members	88,301	-	-
Members did not meet minimum requirements to earn an education award	<u>-</u>	<u>33,759</u>	<u>3,593</u>
Total	<u>\$ 192,972</u>	<u>\$ 33,759</u>	<u>\$ 3,593</u>

The amounts shown above were the exceptions found during our testing. Our testing did not reveal any unsupported or unauthorized match costs.

AmeriCorps members, who successfully complete their terms of service, are eligible for education awards and for payments of interest on student loans (accrued interest) that were

deferred while the members served. These costs are funded by the National Service Trust and are not funded by Corporation grants and thus are not costs claimed by USF. As part of our agreed-upon procedures, however, we determined the effect of audit findings on eligibility for education awards and accrued interest payments. Using the same criteria described above, we questioned education awards of \$33,759 and accrued interest payments of \$3,593.

Details related to these questioned costs and awards appear in the *Independent Accountants' Report on Applying Agreed-Upon Procedures* that follows.

The detailed results of our agreed-upon procedures revealed instances of non-compliance with grant provisions, regulations, or Office of Management and Budget (OMB) requirements, as shown below in the Compliance and Internal Control section. Issues identified included:

- USF lacked effective procedures to monitor and evaluate USF's collaborative partners' performance, and it did not perform monitoring site visits in accordance with USF's Partner Policy Manual;
- USF lacked receipts for Mini-grants and program costs claimed;
- Members did not always meet minimum program requirements to earn an education award and to have their accrued interest paid, the members received these unearned benefits;
- Non-Compliance with AmeriCorps provisions, including late submission of member forms; member's timesheets not dated, and missing partner's Operating Site Agreements.

We also compared the inception-to-date drawdown amounts with the amounts reported in the most recent FSR and FFR under each grant and determined that the drawdown amounts were reasonable.

Agreed-Upon-Procedures Scope

We performed our agreed-upon procedures during the period September 15, 2009, through January 15, 2010. The agreed-upon procedures covered the allowability, allocability, and reasonableness of financial transactions claimed for the following grants and periods:

<u>Grant Number</u>	<u>Program</u>	<u>Grant Period</u>	<u>Testing Period</u>
08NDHCA001	Professional Corps	09/01/08 – 08/31/11	09/01/08 – 09/30/09
04NDHCA001	Professional Corps	09/01/05 – 08/31/08	09/01/07 – 08/31/08

The procedures we performed are based on the OIG's agreed-upon-procedures program, dated May 2009, as revised on October 20, 2009, and are included in the *Independent Accountants' Report on Applying Agreed-Upon Procedures* section of this report.

Background

The Corporation, pursuant to the authority of the National Community Service Trust Act of 1993, as amended, awards grants and cooperative agreements to National Direct Grantees, such as USF, and other entities to assist in the creation of full-time and part-time national and community service programs.

The University of San Francisco, which includes USF, was founded by the Society of Jesus in 1855 as a California tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code (IRC). The University of San Francisco is generally exempt from Federal income taxes on related income pursuant to Section 501 (a) of the IRC but is subject to Federal and state income tax on unrelated business income.

USF is one of the schools under the University and is comprised of educators and students. It prepares students to serve as teachers, curriculum developers and supervisors, administrators, higher education personnel, counselors, therapists, psychologists, private consultants, as well as business managers and trainers.

USF operated the Professional Corps program called "The Teacher Education for the Advancement of a Multicultural Society Teaching Fellowship Program (TEAMS)." The program prepared diverse teachers for service in urban, public schools to increase the academic success of all students. The TEAMS Program is a collaborative effort of universities, colleges, and K-12 public school districts, led by USF to develop a highly qualified teaching force that is reflective of the racial and ethnic diversity of students in urban K-12 schools across the West Coast, with particular focus in the San Francisco Bay area, Los Angeles, San Diego, and Seattle-Tacoma metropolitan areas. USF had 9 and 11 collaborative partners in program years (PY) 2007-2008 and 2008-2009, respectively. The collaborative partners assisted USF in recruiting members into the Program and monitored the members' activities to ensure members were achieving the program objectives and were in compliance with AmeriCorps requirements.

USF submitted semi-annual Financial Status Reports (FSR) for PY 2007-2008 and an annual Federal Financial Report (FFR) for PY 2008-2009. The grantee portion of the AmeriCorps costs consisted of program operating costs, such as personnel expenses, fringe benefits, travel, contractual and consultant services, members training and administrative costs. Payroll was performed in-house at USF. USF allocated administrative costs using a pre-determined rate approved by the Department of Health and Human Services.

All member files, supporting documentation for program costs incurred at USF's level, and other program related information are maintained at USF.

As illustrated in the following table, USF received Federal grant funds of \$1,795,782 for various Corporation programs. USF claimed Federal costs of \$1,022,042 during the period September 1, 2007, through September 30, 2009, and we tested \$421,921 of the Federal costs claimed, as follows:

	<u>Funding Authorized</u>	<u>Claimed within Testing Period</u>	<u>Tested</u>
08NDHCA001 – Professional Corps	\$ 617,518	\$ 561,969	\$ 240,113
04NDHCA001 – Professional Corps	<u>1,178,264</u>	<u>460,073</u>	<u>181,808</u>
Total – Grants Administered	<u>\$ 1,795,782</u>	<u>\$ 1,022,042</u>	<u>\$ 421,921</u>

Exit Conference

The contents of this report were discussed with the Corporation and USF at an exit conference held in San Francisco, CA, on January 15, 2010. In addition, we provided a draft of this report to USF and to the Corporation for comment on February 5, 2010. USF generally agreed with the findings except it did not comment on questioned costs; its responses to the findings in the draft report are included in Appendix A and summarized after each finding. The Corporation did not respond to the individual findings and recommendations. Its response is in Appendix B.



Mayer Hoffman McCann P.C.
An Independent CPA Firm
Conrad Government Services Division

Inspector General
Corporation for National and Community Service

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

We have performed the procedures described below for costs claimed between September 1, 2007, and September 30, 2009. The procedures were agreed to by the OIG solely to assist it in grant-cost and compliance testing of Corporation-funded Federal assistance provided to University of San Francisco - School of Education (USF) for the awards and periods listed below, with a combined award period of September 1, 2005 through August 31, 2011. USF management is responsible for the accounting records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and generally accepted government auditing standards. The sufficiency of these procedures is solely the responsibility of the OIG. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or any other purpose.

<u>Grant Number</u>	<u>Program</u>	<u>Grant Period</u>	<u>Testing Period</u>
08NDHCA001	Professional Corps	09/01/08 – 08/31/11	09/01/08 – 09/30/09
04NDHCA001	Professional Corps	09/01/05 – 08/31/08	09/01/07 – 08/31/08

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed other procedures, other matters might have come to our attention that would have been reported to you.

The procedures that we performed included obtaining an understanding of USF and its partners' monitoring processes; reconciling Federal costs claimed and match costs to the accounting systems of USF and of its partners; reviewing member files to verify that the records supported member eligibility to serve and allowability of education awards; and testing compliance of USF with selected grant provisions and award terms and conditions. In addition, we interviewed 28 members and 14 supervisors to ensure they were in compliance with grant provisions and application requirements.

We also tested claimed Federal costs and match costs of USF and its partners to ensure: (i) Proper recording of the AmeriCorps grants; (ii) Matching requirements were met; and (iii) Costs were allowable and supported in accordance with applicable regulations, OMB circulars, grant provisions, and award terms and conditions.

Results – Costs Claimed

The results of cost testing are summarized in the Consolidated Schedule of Claimed and Questioned Costs that follows. The schedule also identifies instances of questioned education awards and related accrued interest payments. These awards and payments are funded by the National Service Trust, not the Corporation's grants, and accordingly are not included in claimed costs. As part of our agreed-upon procedures, however, we determined the effect of member service hour data and eligibility exceptions on these awards.

**AGREED-UPON PROCEDURES FOR CORPORATION GRANTS AWARDED TO
UNIVERSITY OF SAN FRANCISCO - SCHOOL OF EDUCATION**

Consolidated Schedule of Claimed and Questioned Costs

Grant Number	Costs Claimed Within Testing Period	Federal Costs Questioned	Education Awards Questioned	Accrued Interest Questioned
08NDHCA001	\$ 561,969	\$ 104,671	\$ -	\$ -
04NDHCA001	<u>460,073</u>	<u>88,301</u>	<u>33,759</u>	<u>3,593</u>
Total	<u>\$ 1,022,042</u>	<u>\$ 192,972</u>	<u>\$ 33,759</u>	<u>\$ 3,593</u>

The Federal costs, education awards, and accrued interest payments questioned under the two grants reference resulted from:

1. Lack of receipts and source documentation for costs of Mini-grants claimed. Total questioned costs, including 5 percent administrative costs applied, are \$101,521 and \$88,301 for Grant nos. 08NDHCA001 and 04NDHCA001, respectively (see Finding 2).
2. Lack of receipts and source documentation for recruiting costs claimed by one Partner under the 08NDHCA001 grant. Total questioned costs, including administrative costs applied, are \$3,150 (see Finding 2).
3. Nine members tested under the 04NDHCA001 grant, who had received education awards, did not meet the minimum requirements of the program to receive education awards. These members did not serve 1,700 hours, or their hours for a partial award were overstated, or they served 1,700 hours but did not meet specific requirements of USF's program. Total education award costs and accrued interest payments questioned are \$33,759 and \$3,593, respectively (see Finding 3).

Notes to Consolidated Schedule of Claimed and Questioned Costs

Basis of Accounting

The accompanying schedule has been prepared to comply with provisions of the grant agreements between the Corporation and USF. The information presented in the schedule has been prepared from reports submitted by USF to the Corporation and accounting records of USF. The basis of accounting used in the preparation of these reports differs from accounting principles generally accepted in the United States of America as discussed below.

Equipment

No equipment was purchased and claimed under Federal or match share of costs for the period within our review scope.

Inventory

Minor materials and supplies were charged to expense during the period of purchase.

Results - Compliance and Internal Control

The results of our agreed-upon procedures revealed instances of non-compliance with grant provisions, regulations, or OMB requirements, as shown below:

Finding 1. USF lacked effective procedures to monitor and evaluate USF's collaborative partners' performance, and it did not perform monitoring site visits in accordance with USF's Partner Policy Manual.

USF did not have effective procedures to monitor and evaluate its partners. USF did not have formal monitoring tools in PY 2007-2008, but developed monitoring tools for PY 2008-2009. These recently developed tools lacked a provision for formal monitoring of financial management systems, including reviews of A-133 Single Audits for partners who received sub-awards. The tools also lacked a formal assessment evaluation process to evaluate whether its partners had a high, moderate, or low risk with regard to performing successfully in the AmeriCorps program. In PY 2008-2009, there were three partners who received sub-awards including National University, California State University Northridge, and California State University Dominguez Hills.

The conditions were due to USF personnel's lack of familiarity with AmeriCorps provisions and applicable regulations.

In addition, USF did not perform the annual monitoring site visits on 8 out of its 11 partners as required under USF Partner's Manual for PY 2008-2009 because, as USF advised the auditor, it did not adequately budget for travel costs.

Ineffective procedures to monitor and evaluate collaborative partners could result in non-compliance with program requirements and prevent USF from achieving program performances objectives.

Criteria

45 C.F.R. §2543.51 *Monitoring and reporting program performance*, states:

- (a) Recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award. Recipients shall monitor subawards to ensure subrecipients have met the audit requirements as delineated in Section §2543.26.

2007 AmeriCorps provisions, Section V.A. *Responsibilities under Grant Administration*, states:

- 1. Accountability of Grantee.** The grantee has full fiscal and programmatic responsibility for managing all aspects of the grant and grant-supported activities, subject to the oversight of the Corporation. The grantee is accountable to the Corporation for its operation of the AmeriCorps Program and the use of Corporation grant funds. The grantee must expend grant funds in a judicious and reasonable manner, and it must record accurately the service activities and outcomes achieved under the grant. Although grantees are encouraged to seek the advice and opinion of the Corporation on special problems that may arise, such advice does not diminish the grantee's

responsibility for making sound judgments and does not mean that the responsibility for operating decisions has shifted to the Corporation.

In addition, the 2008 USF Partner Policy Manual (developed by USF to monitor its partners), Appendix, *TEAMS Partner Site Monitoring Plan*, states:

- Conduct at least two Partner Meetings for training, troubleshooting
- Conduct at least one annual Partner site visit, including meeting with Partner site representatives, Pedagogical seminar observation, interviews with Fellows
- Complete Site Monitoring Tool within one week of site visit (send copy to Partner site)
- Follow up conversation with Partner Site on issues to be resolved
- Review Partner Site performance and recommend changes and slot allotment for following year

Recommendations

We recommend that the Corporation ensure USF:

- 1a. Familiarizes itself with AmeriCorps provisions and regulations and develops effective procedures to monitor its partners, which includes an adequate financial management systems review of partners who received sub-awards, and the development of necessary assessment evaluation tools; and
- 1b. Perform all monitoring site visits as required by USF's manual.

University of San Francisco - School of Education's Response

- 1a. USF indicated that it had implemented immediate corrective action to rectify the University's subrecipient monitoring practices once the matter was brought to its attention. USF indicated that, as of October 30, 2009, it had adopted a formal written Subaward Policy and Procedures, which it had begun implementing. The Subaward Policy was reviewed by the University's external grant counsel, and the University had been advised by its counsel that this policy is compliant with relevant Federal statutes, regulations, OMB Circulars, and AmeriCorps provisions and regulations.
- 1b. USF will perform all necessary monitoring site visits for its subawardees. Additionally, USF intends to continue its risk-based monitoring practices for its subawardee partner schools, and it has recently adopted similar risk-based monitoring practices for its non-subrecipient partner schools.

Independent Accountants' Comment

Accountants concur with USF corrective action plans. The Corporation should follow up with USF to ensure the actions have been implemented and are adequate.

Finding 2. USF lacked receipts for Mini-grants and program costs claimed.

Our testing showed that USF did not have receipts to support the Mini-grants and other program costs claimed, totaling \$192,972.

The Mini-grant program provides funding for approximately 200 projects that demonstrate the 7 elements of successful service-learning. Members apply for grant funding ranging from \$300-\$1,000 to use for supplies and materials for their projects. The Mini-grant program was started in PY 2007-08 and is a new component of TEAMS to help members develop their service-learning projects more fully. Projects that are selected for funding are those that engage students throughout the project on matters such as identifying community needs and strategies to address those needs. Students are also expected to identify problems in implementing their projects, and then reflecting upon and evaluating the projects. Through service-learning projects, members engage students in their own learning process while contributing to their schools, the families their schools serve, and the broader community beyond their schools. Upon completion of each project, USF required the members to submit a final summary report that showed the projects achievements or outcomes.

However, USF did not enforce its procedures for the recipients of Mini-grants to submit the original receipts to USF for Federal costs claimed on the service learning projects performed. As a result of the lack of supporting receipts, there is no assurance that the funds were spent as intended, although there is evidence that the projects were completed. Total Federal costs and administrative costs questioned related to Mini-grants are, as follows:

<u>Grant Number</u>	<u>Federal Costs Questioned</u>	<u>Administrative Costs Questioned (5%)</u>	<u>Total Questioned Costs for Mini-grants</u>
08NDHCA001	\$ 96,687	\$ 4,834	\$ 101,521
04NDHCA001	<u>84,096</u>	<u>4,205</u>	<u>88,301</u>
Total	<u>\$ 180,783</u>	<u>\$ 9,039</u>	<u>\$ 189,822</u>

USF indicated that to have the recipients pay for the materials and supplies in advance would cause financial burden on the recipients since many of the recipients might not have the financial resources to pay for the supplies and materials. Instead, USF deviated from its own procedures that required Mini-grant recipients to submit receipts. It treated these costs as an advance under the Mini-grant program to the recipients, not to exceed \$1,000 per project, and issued an IRS Form 1099 – Miscellaneous Income (Form 1099) for the advances. Without original receipts, we were unable to determine if the costs were actually incurred and spent on the program. Form 1099 should not be issued to recipients who incur and claim Federal funds because the recipients should be accounting for these costs to the Government. To account to the Internal Revenue Service is an unnecessary burden on the member.

In addition to the costs questioned for Mini-grants, one of USF’s partners claimed \$3,000 for Federal costs of recruiting members but lacked receipts for these costs. This partner was able to provide source documentation on other costs claimed that we tested. The condition was due to USF not requiring it partners to submit source documentation and not reviewing the source documentation for costs claimed. As a result, we questioned the unsupported costs totaling \$3,150 which included administrative costs of 5 percent.

Criteria

45 C.F.R. §2543.21, *Standards for financial management systems*, states:

(a) Federal awarding agencies shall require recipients to relate financial data to performance data and develop unit cost information whenever practical.

(b) Recipients' financial management systems shall provide for the following:

(1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in §2543.51. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient shall not be required to establish an accrual accounting system. These recipients may develop such accrual data for its reports on the basis of an analysis of the documentation on hand.

(2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest...

* * *

(6) Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.

(7) Accounting records including cost accounting records that are supported by source documentation.

Notice of Grant Award to USF, *Terms of Acceptance*, states in part:

The Grantee agrees to administer the funded Program in accordance with the approved Grant application and budget(s), supporting documents, and other representations made in support of the approved Grant application.

The above criterion, therefore, considers the representation made in the request for a Mini-grant below.

USF's Service Learning Mini-grant Request for Proposal, *Funding Requirements*, states in part, "Grantees must keep original receipts and submit them upon request."

Recommendations

We recommend that the Corporation:

- 2a. Resolve the questioned costs and recover any disallowed costs and the applicable administrative costs;

- 2b. Ensure USF adheres to its existing policies or creates policies and procedures to obtain all proper source documentation to support Federal funds claimed; and
- 2c. Ensure USF discontinues issuing a Form 1099 to members and other recipients who incur and claim costs to Federal funds.

University of San Francisco - School of Education's Response

USF believes the Corporation was aware of, and had approved, USF's plan to issue Mini-grants as stipends, rather than as part of a reimbursement process. In lieu of actual receipts, USF was able to provide other source documentation for the Mini-grant projects completed, which include project proposals, final project results, etc. Should the Corporation find it necessary, USF can provide all the documentation on how the Mini-grant funds were spent.

USF indicated it has changed its policies and procedures with respect to the mini-grant program. Going forward, USF will require Fellows to submit receipts for any costs incurred in relation to their service learning projects, and the University will reimburse Fellows within ten business days from the date of submission, which is the University's standard disbursement cycle processing time.

However, USF believes that this change will unfortunately place a significant burden on the Fellows, who will have to front their own money in order to carry out their service learning projects and then wait for reimbursement from the University. USF believes the foregoing change in policy will likely lead to fewer members applying for service learning mini-grants.

Finally, going forward, USF will not issue IRS Forms 1099 since any mini-grant funds will be disbursed in a manner consistent with the accountable plan rules, pursuant to Treasury Regulation Section 1.62-2(c)(4).

Independent Accountants' Comment

Although USF indicated that it has source documentation to support that the Mini-grant projects were completed, it has no evidence that the funds provided were fully spent and spent as intended. USF is in violation of the CFR as well as the application requirements for Mini-grants. Although the projects may have been completed, without receipts, support for the expenditure of Federal funds cannot be fully verified. Accordingly, the Corporation needs to recoup the unsupported costs. USF's concern about the advance of funds is misplaced. Accounting for what was spent and claimed to the grant is the issue.

We otherwise concur with USF's stated corrective action plans and recommend that the Corporation follow up with USF to ensure they have been implemented.

Finding 3. Members did not always meet minimum program requirements to earn an education award and to have their accrued interest paid, the members received these unearned benefits.

Of the 180 members whose timesheets were tested, 6 members did not meet the 1,700-hour minimum requirement for a full education award. In addition, two members tested were awarded a partial award as a result of compelling personal circumstances, but timesheets tested did not have sufficient hours to support the total hours certified on the exit form.

<u>Member #</u>	<u>Hours per Exit Form</u>	<u>Time Sheet Hours</u>	<u>Education Award Questioned (\$)</u>
<u>Full Award</u>			
1	1,701.00	1,331.00	4,725
2	1,814.00	1,662.00	4,725
3	1,761.00	1,600.00	4,725
4	1,977.00	1,599.00	4,725
5	1,773.00	1,608.00	4,725
6	1,768.50	1,562.50	4,725
<u>Partial Award</u>			
7	1,467.00	1,347.00	334
8	1,591.00	1,465.00	350

USF indicated that members' timesheets were possibly misplaced due to the high volume of member files processed. As a result, \$29,034 of Education Award costs and \$3,593 of accrued interest are questioned.

In addition, one member served the 1,700 hours minimum requirement but failed to attend all the pedagogical seminars as required by the program. USF granted the member a partial award on the exit form and in Web Based Reporting System (WBRS) instead of exiting the member without an award. Corporation records show a full education award was approved August 1, 2008. This approved award occurred because USF was not familiar with the AmeriCorps provisions and assumed that even when a member did not meet all of the Grantee's set requirements but met the minimum service hours, he/she could still be eligible for a partial education award. The total questioned award for the member is \$4,725.

Criteria

AmeriCorps 2007 Grant Provisions, Section IV AmeriCorps Special Provisions, Sub Section J, *Post Service Education Awards*, states in part:

In order to receive a full education award, a member must perform the minimum hours of service as required by the Corporation and successfully complete the program requirements as defined by the Program. For example, if successful completion of a full-time program requires 1,800 service hours, members in that particular program are not eligible for an education award simply upon completion of 1,700 hours.

Member Contract, Section IV, *Fellowship Role Description* (emphasis added), states:

The Member- will serve students and the school community during the academic school year at Program member schools. Specifically, the Member will:

- (1) Provide teaching or counseling services;
- (2) Implement a service learning project;
- (3) **Attend all pedagogical seminars in his/her region;** and
- (4) Complete all required forms and evaluations

Recommendations

We recommend that the Corporation:

- 3a. Disallow and, if already used, recover education awards and accrued interest on awards made to members with questioned education awards;
- 3b. Ensure USF develops adequate controls and procedures to safeguard program documentation, especially members' timesheets; and
- 3c. Provide guidance to USF with respect to AmeriCorps provisions and requirements for awarding partial education awards.

University of San Francisco - School of Education' Response

- 3a. USF indicated that it has adequate control procedures for timesheet submissions and approvals and believes that the missing timesheets were in fact submitted to and reviewed by USF for approval before being entered into WBRS. Specifically, USF stated: "It is clear, based on the timesheet entry and approval audit trail available in WBRS, that at least two University employees saw and verified the timesheets in question which are now missing." USF believed the missing timesheets were isolated instances rather than a systematic problem. However, USF was unclear how the missing timesheets became misplaced. USF indicated it has requested the Fellows, whose timesheets were missing, to sign a recertification form for the missing hours.
- 3b. USF engaged a technology consultant to develop an electronic timekeeping system to provide an accurate accounting of members' time and ensure hard copy as well as electronic back-up exists. The electronic timekeeping system has been implemented in program year 2009-2010.
- 3c. USF is pending further clarification from the Corporation regarding partial education award requirements. USF indicated it will discuss this finding further with the Corporation during the resolution process.

Independent Accountants' Comment

We verified that USF's procedures for timesheet submissions and approvals were adequate. However, having the Fellows recertify the missing hours is not a proper corrective action plan since the members might not accurately recall the actual hours they served a few years ago. USF's statement that information from timesheets, which cannot be found, was nonetheless properly entered, cannot be substantiated.

We concur with USF's corrective action plan to implement an electronic timekeeping system and recommend the Corporation follow up with USF to ensure that the plan has been properly implemented. In addition, we recommend that the Corporation test the system to ensure it can properly track Fellows hours and complies with the CFR as well as AmeriCorps requirements.

We also recommend the Corporation discuss and provide further clarification to USF regarding the partial education award requirements to assist it in properly handling awards in the current program year.

Finding 4. Non-Compliance with AmeriCorps provisions, including late submission of member forms; member's timesheets not dated, and missing partner's Operating Site Agreements.

Late submissions of member forms

Our testing found that the following required forms were submitted late (ranging from 1 to 302 days late):

- 94 of 180 Enrollment Forms (ranging from 2 to 97 days late);
- 6 of 7 Change-of-Status Forms (ranging from 60 to 302 days late); and
- 72 of 180 Member Exit Forms (ranging from 1 to 107 days late).

According to the Grantee, the late submission of member related forms was due to various factors including: (1) technical difficulties in WBRS; (2) partners and members did not submit required documents on-time from the time of enrollment; and (3) the transfer from WBRS to My AmeriCorps Portal delayed the submission process.

Criteria

2007 AmeriCorps Special Provisions, Section IV.N.2. *AmeriCorps Member-Related Forms*, states:

The grantee is required to submit the following documents to the National Service Trust at the Corporation on forms provided by the Corporation. Grantees and sub-grantees may use WBRS to submit these forms electronically. Programs using WBRS must also maintain hard copies of the forms.

a. Enrollment Forms. Enrollment forms must be submitted no later than 30 days after a member is enrolled.

b. Change of Status Forms. Member Change of Status Forms must be submitted no later than 30 days after a member's status is changed. By forwarding Member Change of Status Forms to the Corporation, State Commissions and Parent Organizations signal their approval of the change.

c. Exit/End-of-Term-of-Service Forms. Member Exit/End-of-Term-of-Service Forms must be submitted no later than 30 days after a member exits the program or finishes his/her term of service.

Member's timesheets not dated

None of the 180 members' timesheets tested were dated. USF indicated that since all timesheets are date-stamped when they were received by USF, timesheets would not be required to be dated. However, AmeriCorps requires member's timesheets to be dated when signed.

Criteria

AmeriCorps 2007 Grant Provisions, Section IV AmeriCorps Special Provisions, Sub Section C - *Member Enrollment*, states in part:

The grantee must keep time and attendance records on all AmeriCorps members in order to document their eligibility for in-service and post service benefits. Time and attendance records must be signed and dated both by the member and by an individual with oversight responsibilities for the member.

Missing Partner's Operating Site Agreements

USF was unable to provide the Operating Site Agreements for 3 out of 9 and 5 out of 11 of its collaborative partners for PYs 2008-2009 and 2007-2008, respectively. USF indicated that the agreements may have been misplaced and neither USF nor the Partners were able to locate the signed agreements. As a result, USF unnecessarily increases the risk of misunderstanding between itself and those partners. With both parties missing the agreements, it is likely the agreements were not prepared.

Criteria

45 C.F.R. §2543.53 *Retention and access requirements for records*, states:

(a) This section sets forth requirements for record retention and access to records for awards to recipients. Federal awarding agencies shall not impose any other record retention or access requirements upon recipients.

(b) Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Federal awarding agency.

Recommendations

We recommend that the Corporation:

- 4a. Ensure that USF: (1) develops alternative procedures for updating members' status in My AmeriCorps Portal or other applicable systems, (2) strengthens procedures for submission of documentation during the enrollment process, and (3) uses alternative means to submit member's forms when technical problems arise;
- 4b. Instruct USF to develop policies and procedures requiring member's to date timesheets when they are signed; and
- 4c. Ensure USF prepares memorandums of agreements for its partners and enforces record retention policies.

University of San Francisco - School of Education's Response

USF indicated it will strictly enforce the 30-day rule and plans to issue additional commitments in order to make up for the prospective Fellows who do not submit their enrollment paperwork in a timely fashion.

USF indicated the electronic timekeeping system discussed in the response to Finding 3 requires the Fellows, along with their supervisors, to sign and date the Fellows' timesheets.

USF will adhere to its record retention policies and ensure Memorandums of Understanding are in place for all partners.

Independent Accountants' Comment

We concur with USF's stated corrective action plans. The Corporation should follow up with USF to ensure its actions have been implemented.

This report is intended for the information and use of the Office of Inspector General, Corporation management, University of San Francisco - School of Education, and the U.S. Congress. However, this report is a matter of public record and its distribution is not limited.

Mayer Hoffman McCann P.C.

Irvine, California
March 24, 2010

APPENDIX A

**UNIVERSITY OF SAN FRANCISCO - SCHOOL OF EDUCATION RESPONSE
TO DRAFT REPORT**



Office of Internal Audit
and Tax Compliance
2130 Fulton Street
San Francisco, CA 94117-1080
TEL 415 422-5124
FAX 415 422-2058

March 5, 2010

Mr. Stuart Axenfeld
Assistant Inspector General for Audit
Office of Inspector General
Corporation for National and Community Service
1201 New York Avenue, NW, Suite 830
Washington, DC 20525

RE: University of San Francisco's Response to the OIG's Draft Report

Dear Mr. Axenfeld:

On behalf of the University of San Francisco I am submitting the attached response to the Office of Inspector General's draft report on *Agreed-Upon Procedures for Corporation Grants Awarded to the University of San Francisco*.

If you have questions or require any clarifications, please feel free to contact me.

Kindest regards,

Dominic L. Daher, MAcc, JD, LL.M. in Taxation /s/
Director of Internal Audit and Tax Compliance

Enclosure

cc: Ronald Rolwes, CPA, CFE, Shareholder, Mayer Hoffman McCann P.C.
Jim Elmore, Audit Manager, Office of Inspector General
Claire Moreno, Audit Liaison, Corporation for National and Community Service
Claudio Chiuchiarelli, Chairman of the Board, University of San Francisco
Fr. Steve Privett, S.J., President, University of San Francisco
Charlie Cross, Vice President for Business and Finance, University of San Francisco
Mary Rose Fernandez, Director of TEAMS, University of San Francisco

**UNIVERSITY OF SAN FRANCISCO'S RESPONSE TO THE
OFFICE OF INSPECTOR GENERAL'S DRAFT REPORT ON
AGREED-UPON PROCEDURES FOR CORPORATION GRANTS
AWARDED TO THE UNIVERSITY OF SAN FRANCISCO**

Prepared by:

Dominic L. Daher, MAcc, JD, LLM in Taxation

Director of Internal Audit and Tax Compliance

University of San Francisco

Submitted:

March 5, 2010

Finding 1. USF lacked effective procedures to monitor and evaluate USF's collaborative partners' performance, and it did not perform monitoring site visits in accordance with the USF Partner Policy Manual.

Recommendations:

We recommend that the Corporation ensure USF:

- 1a. Familiarizes itself with AmeriCorps provisions and regulations and develops effective procedures to monitor its partners, which includes an adequate financial management systems review of partners who received sub-awards, and the development of necessary assessment evaluation tools; and*
- 1b. Perform all monitoring site visits as required by USF's manual.*

University of San Francisco's Response:

1a.

Aside from the AmeriCorps grants which are the subject of this report, the University of San Francisco does not currently have any other federal grants which involve subrecipients. Once this issue was brought to the University's attention, immediate appropriate action was taken to rectify the University's subrecipient monitoring practices. The University seeks to be compliant with all applicable AmeriCorps provisions and regulations. In furtherance of this objective, as of October 30, 2009, the University adopted a formal written Subaward Policy and Procedures which it has begun implementing. This Subaward Policy was reviewed by the University's external grant counsel, and the University has been advised by its counsel this policy is compliant with relevant federal statutes, regulations, OMB Circulars, and AmeriCorps provisions and regulations.

1b.

The University has two different types of partners. Some of the University's partners are subawardees; where a partner school is a subawardee, it (not the University of San Francisco) is expected to plan and implement the pedagogical seminars for their site in accordance with the University's TEAMS Program (the Program) seminar framework. For those partners which are subawardees, the University performed monitoring site visits for them during the 2008-09 Program year.

Other partners are not subawardees because they received no funding from the University's AmeriCorps grants and did not perform any significant work on behalf of the University's Program. Where a partner school is not a subawardee, the University (not the partner school) performs all necessary programming, member recruitment and management, and training (including orientation and pedagogical seminars).

The University will continue to perform all necessary monitoring site visits for its subawardees. Additionally, the University intends to continue its risk-based monitoring practices for its subawardee partner schools, and it has recently adopted similar risk-based monitoring practices for its non-subrecipient partner schools.

Finding 2. USF lacked receipts for Mini-grants and program costs claimed.

Recommendations:

We recommend that the Corporation:

- 2a. Resolve the questioned costs and recover any disallowed costs and the applicable administrative costs;*
- 2b. Ensure USF adheres to its existing policies or created policies and procedures to obtain all proper source documentation to support Federal funds claimed; and*
- 2c. Ensure USF discontinues issuing a Form 1099 to members and other recipients who incur and claim costs to Federal funds.*

University of San Francisco's Response:

2a.-2c.

The University believes the Corporation knew and approved of the University's plan to issue service learning mini-grants as stipends, rather than as part of a reimbursement process. In fact, in the University's application for both 2007 and 2008, the service learning mini-grants were clearly described as “stipends.”

As was articulated initially to the Corporation, and again to the auditors retained by the OIG during the course of their fieldwork and at the Exit Conference, the University's intention in issuing stipends was to allow for grant funds to be disbursed to AmeriCorps participants (Fellows) for their service learning projects as quickly as possible without the Fellows, who are teaching in under-resourced schools, and who are themselves under-resourced, having to front their own personal funds and wait for reimbursement from the University, which typically takes up to ten business days.

More specifically, in the Grant Negotiation letter (sent to the University via electronic mail) from the Corporation dated April 23, 2007, there was no question or point of clarification requested by the Corporation with respect to the mini-grant stipends, despite the fact that the letter asks for clarification with respect to several other items for the grant year in question. And, in the 2008 AC National Grant Clarification letter (sent to the University via electronic mail) dated March 26, 2008, the Corporation specifically acknowledged the mini-grants would be delivered to the Fellows in the form of stipends: “Please insure that the narrative for service learning mini-grant stipends provides sufficient detail to document how these stipends are eligible/necessary and how amounts

and beneficiaries are clearly determined and distributed based on a written plan or manual.” (Emphasis added.)

The University issued IRS Forms 1099 (as required under applicable provisions of the Internal Revenue Code and Treasury Regulations promulgated thereunder) to those Fellows who received mini-grants because the funds were disbursed as stipends rather than as reimbursements under an "accountable plan." Under Section 62(c) of the Internal Revenue Code an accountable plan is one which requires participants (in this case the Fellows):

1. Have paid or incurred otherwise deductible expenses;
2. Substantiate reimbursed expenses (typically through the production of receipts); and
3. Return any amount in excess of the substantiated expenditures.

Pursuant to Treasury Regulation Section 1.162-2(c)(3), all other reimbursement (or payment) plans are considered nonaccountable plans; furthermore, under Treasury Regulation Section 1.62-2(c)(5), amounts treated as paid under a nonaccountable plan are required to be reported as taxable income on either IRS Form 1099 or W-2 (as appropriate). Accordingly, the University did not collect receipts from the Fellows after the completion of the service learning projects because the mini-grants were treated as stipends.

Prior to any of the Fellows receiving any mini-grant funds, the Fellows completed a written proposal, including a detailed budget for how they would spend the funds (if awarded), and the Fellows secured written approval from the principal at their school. So for example, a Fellow might plant a garden to feed the local homeless population as a service learning project, and that Fellow might need to purchase soil, plants, gardening tools, etc. in order to carry out that service learning project.

Furthermore, the Fellows also completed a final project such as a paper, presentation, website, photos, DVDs, videos, or other work product which described their experience in completing the service learning project for which they received funding under the mini-grant program; an example, of a website created by one of the Fellows who received a mini-grant can be found at: http://skyline.test.jinkdesign.com/?page_id=154. The University would be happy to share with the Corporation any or all of the foregoing documentation in order to document how the service learning mini-grant funds were spent.

Effective immediately, the University has changed its policies and procedures with respect to the mini-grant program. Going forward, the University will require Fellows to submit receipts for any costs incurred in relation to their service learning projects, and the University will reimburse Fellows within ten business days from the date of submission, which is the University's standard disbursement cycle processing time. This will unfortunately be a significant burden on the Fellows who will have to front their own

money in order to carry out their service learning projects and then wait for reimbursement from the University. The University believes the foregoing change in policy will likely lead to less members applying for service learning mini-grants. Whereas going forward any mini-grant funds will be disbursed in a manner consistent with the accountable plan rules, pursuant to Treasury Regulation Section 1.62-2(c)(4) the University will not be required to issue IRS Forms 1099 with respect to such payments.

Finding 3. Members did not always meet minimum program requirement to earn an education award and to have their accrued interest paid, the members received these unearned benefits.

Recommendation:

- 3a. Disallow and, if already used, recover education awards and accrued interest on awards made to members with questioned education awards;*
- 3b. Ensure USF develops adequate controls and procedures to safeguard program documentation, especially members' timesheets; and*
- 3c. Provide guidance to USF with respect to AmeriCorps provisions and requirements for awarding partial education awards.*

University of San Francisco's Response:

3a.

The University acknowledges there were a small number of timesheets missing from Fellows' files. In all of the cases identified by the auditors one monthly timesheet was missing from each Fellow's file in question, and this one missing timesheet led to these Fellows failing to meet the required 1,700 documented hours of required service.

The University investigated the audit trail available in WBRS for these missing timesheets. It is clear, based on the timesheet entry and approval audit trail available in WBRS, that at least two University employees saw and verified the timesheets in question which are now missing. The University's procedure (at all relevant times encompassed by this report) was to date stamp all timesheets when they were received; thereafter a University employee would enter the data into WBRS; and in an effort to promote proper segregation of duties and a strong system of internal controls the employee's supervisor, the Education Awards Administrator, would approve the time input into WBRS based on her personal review of the relevant actual paper timesheets. During the University's review of the audit trail available in WBRS, all of the Fellows' timesheets in question were noted to have been approved within four days of each other, which is indicative of a one-time error rather than a systematic problem; unfortunately, it is not clear how the missing timesheets became misplaced.

Nevertheless, based on the aforementioned approval process, it seems exceedingly likely the missing timesheets were submitted to the University otherwise the hours related to those timesheets would not have been entered into WBRS. As an alternative source of certification of hours, the University has asked the Fellows with missing timesheets to sign a Recertification Form for the hours they previously submitted on the missing timesheets; at this time, the University has received signed Recertification Forms from all but one of the Fellows with missing timesheets.

3b.

In the fall of 2009 the University engaged a technology consultant, Forcebrain.com, which developed an electronic timekeeping system that will address the issue of safeguarding program documentation, particularly Fellows' timesheets. For the 2009-2010 Program year, the University has launched this electronic timekeeping system that not only provides an accurate accounting of members' time, but it also ensures a hard-copy (as well as an electronic) back-up exists.

3c.

The University is currently obtaining further information with respect to this finding, and it will discuss this finding more completely with the Corporation during the Resolution Phase.

Finding 4. Non-Compliance with AmeriCorps provisions, including late submission of member forms, member's timesheets not dated, and missing partner's Operating Site Agreements.

Recommendations:

- 4a. Ensure that USF: (1) develops alternative procedures for updating members' status in My AmeriCorps Portal or other applicable systems, (2) strengthens procedures for submission of documentation during the enrollment process, and (3) uses alternative means to submit members' forms when technical problems arise;*
- 4b. Instruct USF to develop policies and procedures requiring members to date timesheets when they are signed; and*
- 4c. Ensure USF prepares memorandums of agreements for its partners and enforces record retention policies.*

University of San Francisco's Response:

4a.

The University acknowledges that timely reporting of Fellows' status has proven to be problematic. For the past few years since the thirty day rule has been in effect, the University has continuously improved its systems to assist Fellows in submitting required

paperwork in a timely manner, such as establishing earlier deadlines, making all forms available both in print and on-line, and sending regular email reminders to members.

The University believes there were circumstances beyond its control that substantially hindered its compliance with the thirty day rule for the period in question. First, for the 2007-2008 Program year, the University documented and reported to the Corporation it was unable to enroll members in WBRS, and it was determined by the Corporation there was indeed a problem with the enrollment function in WBRS for the University's grants. Also in the 2007-2008 Program year, the University needed to perform slot allotment adjustments (which resulted in re-allocating the number of Fellows' slots between the University and its partner schools) which further hindered the University's compliance with the thirty day rule. For the 2008-09 Program year, the transition from WBRS to the My AmeriCorps portal prevented the University from enrolling members for a two week period that was critical to its exit process. The University had thirty days after June 30, 2009 to exit members; during this time WBRS was retired and My AmeriCorps was not yet available for the first two weeks of July 2009. These events significantly hindered the University's ability to process Fellows in a timely manner and be compliant in this area. By the time the My AmeriCorps portal was available, the University had a considerable backlog of Fellows who needed to be exited from the program; unfortunately the University did not have sufficient resources to accomplish this within the substantially shortened time frame which resulted from the preceding series of events.

Moving forward, the University will strictly enforce the thirty day rule. So that the University can ensure full enrollment in the Program, the University plans to issue additional commitments in order to make up for those perspective Fellows who do not submit their enrollment paperwork in a timely fashion.

4b.

With the Program's new electronic timekeeping system (describe above in response to Finding 3b.), the Fellows, along with their supervisors, are now required to sign and date their timesheets.

4c.

Going forward the University will ensure Memorandums of Understanding are in place for all partners, and the University will adhere to applicable records retention policies.

APPENDIX B

**Corporation for National and Community Service's Response to Draft
Report**



To: Stuart Axenfeld, Inspector General for Audit
From: *Clare Moreno*
for Margaret Rosenberry, Director of Grants Management
Date: March 4, 2010
Subject: Response to OIG Draft Agreed-Upon Procedures Report for Review of Corporation Grants Awarded to the University of San Francisco

Thank you for the opportunity to review the Office of the Inspector General draft Agreed-Upon Procedures report of the Corporation's grants awarded to the University of San Francisco (USF). We will work with USF to ensure its corrective action plan adequately addresses and implements the findings. We have yet to receive the audit working papers. Accordingly, we will respond with the management decision after we have reviewed the audit working papers and the USF corrective action plan.

Cc: William Anderson, Acting Chief Financial Officer for Finance
Frank Trinity, General Counsel
Lois Nembhard, Acting Director of AmeriCorps National
Bridgette Roy, Audit Resolution Coordinator